

Chief Consolidated Mining Co.

EUREKA, UTAH 84628

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DIVISION OF
OIL GAS & MINING

Dear Shareholder:

On November 13, 1992, what could prove to be the most important event in the 84 year history of your Company took place. On that date agreement was reached between your Company and Sunshine Mining Company under which Sunshine terminated its two leases with Chief and your Company's Federal and state lawsuits against Sunshine were both discontinued. Under the terms of the agreements, your Company took back full control of a 6,400 acre area of its properties located in the East Tintic Mining District of Utah which includes the Burgin orebody and other Burgin property assets. In addition to Chief regaining control of these formerly leased properties, Sunshine transferred to your Company full ownership of Sunshine's other properties and claims in Utah.

The full significance of this event can be more fully appreciated and understood by looking back 36 years to 1956 when Kennecott Copper Corporation leased an area of Chief's land as part of a unitized lease. In the years that followed, Kennecott expended millions of dollars in surface drilling and related costs to discover the Burgin orebody located on your Company's property, as well as discovering other ore deposits located on property then owned by Tintic Standard Mining Company. Tintic Standard Mining Company was subsequently taken over by a subsidiary of AMAX Inc. and in 1985 Chief purchased this property from AMAX.

As a result of Kennecott's highly mineralized drillhole discoveries, in the mid-1960's Kennecott constructed the Burgin Mine and the buildings and facilities that constituted an integrated mining complex. The Burgin assets include a concentrating mill built to process in excess of one thousand tons of ore a day, over a dozen support structures and the Burgin Mine consisting of a major production shaft which during the early 1970's produced upwards of one thousand tons of ore a day and two additional Burgin operating shafts. During the twelve year period between 1966, when the Burgin Mine began official production, and 1978, when production was terminated, Kennecott mined 1.8 million tons of ore which produced 10.9 million ounces of silver, 349 million pounds of zinc, 338.1 million pounds of lead, 3.3 million pounds of cadmium and 1.5 million pounds of manganese. At the metals prices in effect during that twelve year period the value of the actual metals produced was approximately \$100 million. Extrapolating the value of the metals produced at today's prices, the total value of Kennecott's production would be approximately \$320 million. The significance of this extrapolation is that under Kennecott's mining practices until just prior to the closure in 1978, Kennecott had reported to Chief each year that for each ton of ore mined another ton of ore was developed to replace it. Kennecott terminated mining from the Burgin Mine in 1978 at about the time that it was beginning to divest itself of many of its domestic mining properties. The Burgin Mine was leased by your Company to Sunshine Mining Company in 1980. Several years later, in 1983, Kennecott sold the balance of its interests in the Tintic District to Sunshine. Sunshine, upon taking full control of the East Tintic properties, then began a multi-million dollar exploration and drilling program with a view towards reopening what Sunshine called the "New Burgin Mine", which is located in an area west and northwest of the section of the orebody that had previously been mined by Kennecott. Sunshine spent some \$6.2 million on this project, which included the reconditioning and upgrading of the Burgin Mine's Apex #2 Shaft. This gave Sunshine close access to the area of the Burgin orebody that was the focus of its drilling program. In 1986, Sunshine initiated its underground drilling program to develop the ore projected to extend into this area of the New Burgin Mine. All of Sunshine's completed underground drillholes intercepted high grade ore. A prime example of these high grades intercepted can be found in a 37 foot segment which assayed at an average of 61 ounces of silver, 640 pounds of lead, and 80 pounds of zinc per ton. In a document discovered as a result of Chief's lawsuits against Sunshine, an officer of Sunshine commented on this particular drillhole: "This orebody is too good to not develop or sell."

Sunshine abruptly terminated its drilling program after delineating just over one million tons of ore containing an estimated 23.9 million ounces of silver, 550.2 million pounds of lead, and 180.4 million pounds of zinc. Sunshine immediately proceeded to successfully utilize these Burgin ore reserves in Sunshine's various U.S. Securities and Exchange Commission filings and prospectuses. In another Sunshine document, an officer of Sunshine reported: "We feel we can increase the proven reserves from approximately one million to three million tons in the next three to four months at no additional cost over our present Burgin costs."

As a result of Sunshine's drilling work and geological interpretative data, a Sunshine geologist reported in another discovered document, "Over 100 million ounces of silver in high grade ore very likely exists in a rectangular area 3000' x 500' just north of the New Burgin ore body" (underlined on original document). This particular area lies midway between the Burgin Mine and the old Tintic Standard Mine located on the property that Chief purchase from AMAX. The Tintic Standard Mine was the most important producer in the Tintic District between 1918 and 1949. In fact, a

mining journal recently reported in its September, 1992 issue that the Tintic Standard was once the world's largest silver producer.

As a result of Chief's November 13, 1992 agreements with Sunshine, all of the assets and improvements built by Kennecott and Sunshine as well as the orebodies described above are now owned and controlled by your Company. In addition, under these agreements, Chief received certain equipment and other personal property from Sunshine. It is important to note that the more than 14,000 acres of land owned by Chief in the Tintic District is owned in fee, not as unpatented claims. Unpatented claims under the 1872 Mining Act are facing challenges and possible unfavorable revision of rules by the U.S. Congress.

The result of your Company's agreements with Sunshine can be further summarized as follows: Your Company leased a large area of previously unexplored land to Kennecott in 1956. Thirty six years later, Chief has reacquired full control of its properties, with a mine and mill on the surface and a major orebody underneath the surface. The in-place value of the Burgin Mine's proven and probable reserves delineated to date, at current metals prices, is approximately \$350 million before dilution for mining and processing. Further, as a result of its purchase of property from AMAX, Chief now has control of an additional 3,185 acres containing the Ballpark ore deposit and the Zone A ore deposit, both discovered by Kennecott. This area also encompasses all of the extensions projected to date of the Burgin and New Burgin orebodies.

Chief could never have afforded the millions of dollars spend by Kennecott to discover and delineate the Burgin orebody and related ore deposits or the millions of dollars spent by Kennecott to construct the Mine, the Mill and the various buildings comprising the Burgin Mine complex. Chief never could have afforded Sunshine's multi-million dollar cost to access and open up the ore zone it calls the New Burgin Mine and drill and delineate the one million tons of proven and probable reserves that Sunshine has reported in its various SEC filings over the past six years. Both Kennecott and Sunshine, in effect, have spent tens of millions of dollars for the benefit of Chief now that Chief has regained full control of its East Tintic properties. It is important to note that during the period that Kennecott and Sunshine controlled the Burgin properties, your Company received a total of \$2.5 million in advanced royalties that were written off under various agreements.

I would also point out to Chief's Shareholders that the East Tintic District properties represent approximately one half of Chief's land holdings and interests in the Tintic District. Your Company owns an additional 6,000 acres in the Main Tintic District and over 2,000 acres in the East Tintic District adjacent to the areas described above. It was in the Main District that ASARCO Inc. and Western Mining Company each performed exploration work several years ago under leases with Chief. ASARCO terminated its lease in 1984 at a time when its exploration programs were cut back due to low copper prices; Western Mining terminated its lease in 1989, when its relatively shallow surface drilling program failed to locate the disseminated gold values it was seeking.

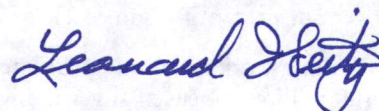
Chief's Management has already begun its work to determine how best to structure an arrangement that would bring the Burgin Mine back into production. The main thrust is directed towards a possible joint venture arrangement with a major mining company; however, other alternatives are also being explored.

As a result of the cancellation of Chief's two leases with Sunshine, royalty income received by Chief from Sunshine has been terminated. Accordingly, your Management anticipates that additional operating funds will be needed by your Company. If a joint venture or lease arrangement is not consummated in the near-term, your Management will take the steps necessary to raise additional operating funds by way of private placement of its shares or other means.

This letter is intended to bring all of the Shareholders up-to-date on the events over the past several months. In view of your Management's need to conserve your Company's operating funds, Chief's 1992 Shareholders Meeting has been postponed until 1993.

To those many Chief Shareholders who have held their Chief shares over the past years and who have seen the fortunes of your Company rise and fall, I thank you for your patience and loyalty. To Chief's more recent Shareholders, I welcome you aboard and assure all Shareholders that your Management will spare no effort in moving towards achieving its goals.

Very truly yours,



Leonard Weitz
President and Chairman

December 9, 1992